

TOWN OF NACHES
Yakima County, Washington
January 1, 1992 Through December 31, 1993

Schedule Of Findings

1. Council Members Should Not Receive Salary Increases During The Same Term Of Office They Are Approved

During our audit of the Town of Naches we noted that in March 1990, town council members approved an increase in council salaries from \$10 to \$20 per meeting.

Town personnel advised us that two of these council members began receiving the salary increase in 1992 when they started serving new terms of office. However, the other three council members received the salary increase for 1992 and 1993, although their terms of office when they approved the increase did not expire until December 1993.

The Washington State Constitution, Article XI, Section 8, states in part:

The salary of any county, city, town, or municipal officers shall not be increased . . . or diminished after his election, or during his term of office

The payment of the salary increases to the councilmembers during the term of office in which the increases were approved is a violation of the state constitution. As a result, these individuals improperly received \$10 per meeting for 1992 and 1993.

Town personnel and council were unaware that the payment of these increases was in violation of the state constitution.

We recommend that any future increases in salary for council members be effective only after their term of office is over. We further recommend that the Town of Naches seek reimbursement for the improper salary payments.

2. Accounting Controls Should Be Improved

Our review of water-sewer utility operations, revealed material accounting control weaknesses, as follows:

- a. During 1993, we noted two instances where the town provided utility connections prior to the collection of hook-up fees.

Fees for one of these connections were collected approximately two months after the service was provided and for the other connection they were collected after we brought it to the town's attention, which was more than six months following the connection.

- b. In July 1993, the town provided a fire hydrant to a local land developer. In November 1993, the town public works superintendent told us that he intended to bill the developer, but had not yet done so. On December 29, 1993, the town received a payment of approximately \$730 as reimbursement for the fire hydrant.

RCW 43.09.200 states in part:

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public . . . income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . .

To satisfy the requirements of RCW 43.09.200, the town's accounting system must include adequate internal controls to detect errors in a timely manner. The American Institute of Certified Public Accountants (AICPA) *Codification of Statement on Auditing Standards*, Section 319.69(2) states in part:

Establishing and maintaining an internal control structure is an important management responsibility. In establishing specific internal control structure policies and procedures concerning an entity's ability to record, process, summarize, and report financial data that is consistent with management's assertions embodied in the financial statements, some of the specific objectives management may wish to consider include the following:

- a. Transactions are executed in accordance with management's general and specific authorization.
- b. Transactions are recorded as necessary (1) to permit the preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (2) maintain accountability for assets.

The absence of adequate systems to assure the accuracy of the financial transactions constitutes a material internal control weakness whereby errors or irregularities could occur and not be detected in a timely fashion.

We recommend that town officials improve accounting controls to safeguard its assets and ensure collection of moneys due the town.